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## BOOK REVIEWS.

### RECENT BOOKS RELATING TO THE SILVER QUESTION.

THE QUESTION OF SILVER. By LOUIS R. EHRLICH, of Colorado. Pp. 115. New York. G. P. Putnam's Sons, 1892.

MONEY, SILVER, AND FINANCE. By J. HOWARD COWPERTHWAIT. Pp. VIII. 242. New York. G. P. Putnam's Sons, 1892.

THE MONETARY QUESTION. By G. M. BOISSEVAIN. An essay which obtained the prize offered by Sir H. M. Meysey-Thompson, Bart., at the Paris Monetary Congress of 1889. Translated from the French by G. TOWNSEND WARNER. Pp. X. 152. London. Macmillan & Co., 1891.

SILVER IN EUROPE. By S. DANA HORTON. Pp. XII. 290. New York. Macmillan & Co., 1890.

The bimetallic controversy, known as the battle of the standards, still continues in the field of economic discussion. At the same time the demand for the free coinage of silver in the United States is as strong as ever in the political field. To separate the two is consequently difficult for the average reader. That they are clearly to be distinguished, however, is evident to every careful student of economic science. "Silver enthusiasts really believe," says Mr. Ehrlich, "and want sane men to believe, that the magic of free coinage is quickly going to wipe out the present difference of 27 cents [now 32] between the silver and the gold dollar." "But" Mr. Ehrlich continues—and it ought to be noted that he is from Colorado—"it is impossible. Free coinage must be followed by the immediate disappearance of gold" (p. 27). "There is on our planet, in round figures, three billion nine hundred million dollars worth of silver held as money or as a fund for money redemption. . . . Free-silver men tell us that the magical alchemy of free coinage by the United States all alone is going to raise these thirty-nine hundred

millions from 95 [now 87] cents to \$1.29 [per ounce] (p. 86).

If the demand for silver dollars is gratified, the author holds we shall have only silver dollars much as the demand for gold coin in 1834, when satisfied by legislation, gave us only gold coin and that "free coinage" is to-day synonymous with silver monometalism. In view of the radical divergence of opinion on the possible effects of the free coinage of silver, it is necessary to proceed carefully, keeping quite distinct the internal policy of the United States on the one hand and the principles which underlie an international regulation of the world's money on the other.

The world may be interested in our monetary experiments but the money of the world is not regulated by act of Congress. Congress cannot give the world a bimetallic money if the world does not want it. But does the world want it? This question is not easily answered. Just as it is difficult for the average reader to distinguish between the legal and the commercial definitions of bimetallism, so it is next to impossible to separate the decline in prices due to changed industrial conditions and methods, from the decline due to the increased value of money. It is practically impossible for the most expert statistician to separate them, and thus measure the possible advantage of bimetallism in the money of the world. Mr. David A. Wells in a series of articles published under the title "Recent Economic Changes" has attempted to defend the thesis that the fall in prices since 1873 is not due in the least to an appreciation in the value of money. He holds that the decline, such as it is, is amply accounted for by man's increased control over the productive forces of nature. He examines the history of the production of a large number of articles—wool, cotton, iron, coal, wheat, etc., and finds reasons for the lower prices of most of them in the changed conditions of production, while those whose conditions of production have not changed have not fallen in price. But his facts are questioned, his methods criticised and his conclusions doubted. Indeed a book has recently been published and is

being distributed "as a contribution to the cause of bimetallism," which defends exactly the opposite thesis. The intention of this work "is merely to show that the general range of prices has been largely controlled by the increase in, or the diminution of, the output of the money metals from the mines."\*

The difficulty lies in the absence of a perfect measure. Shall the basis of comparison be wholesale or retail prices? Chicago prices, Liverpool prices, or Calcutta prices? Are "average" prices daily, weekly, monthly, or yearly averages? What are included in "the general range?" Staple articles only? Real estate? Wages? Luxuries? Freight rates? Shall we take an English, a German, or an American "index number"?

The mention of these two difficulties—the confusion in regard to "free coinage" in the United States, and that relating to the "general range" of prices—shows how unsatisfactory must be the discussion which attempts to rely on facts and figures. There is a goodly body of undeniable facts which are frequently ignored or forgotten in the discussion, but there is a practical advantage to be derived from studiously avoiding doubtful figures and speculative estimates. Writers are fully justified in considering only the economic principles involved, provided the analysis is complete, and the logic sound. But, is the analysis complete, and the logic sound which, for instance, underlies the volume-of-money theory, and the plea for legislation to increase the circulation? Mr. Cowperthwait, a business man, maintains (p. 183) that "the theory that variations in prices and in industrial activities are due often or generally to variations in the volume of money, is so persistent that the hourly, daily, weekly, and yearly denial of this theory by the movements of prices, on the floor of every commercial or stock exchange in the world, does not suffice for a complete overthrow." "During the past twenty years or so," he says, "the prices of commodities in this country have fallen to the extent of

\* "The Economic Crisis." By Moreton Frewen. Pp. XVI. 194. London: Kegan Paul, Trench & Co.

an average of about 30 per cent., . . . but . . . there has been an increase in the volume of money in circulation, to the extent of about 94 per cent., being an increase *per capita* of population of about 20 per cent.”—“Good proof,” says the bimetallist, “that the volume of money should have been much more largely increased,—a fall of 30 per cent. in prices, in spite of a 20 per cent. *per capita* increase in circulation !” “But,” adds Mr. Cowperthwait, “there have been a fall in the average rate of interest, an advance in the average rate of wages, an advance in rents, and an advance in the price of real estate.” (p. 185.)

“Business may be unsatisfactory, or the reverse ; the rates of interest, at financial centres, may vary between 1 per cent. a day and 1 per cent. a year ; prices and wages, or either of them, may be high or low, and we can assert that, within reasonable limits, any state of affairs may exist, co-incident with a large or small amount of money.” (pp. 194-95.) Which is the correct analysis ? Does the logic of the situation demand free coinage of silver with full legal tender, or may a congressman be perfectly certain that a sufficient volume will be supplied under the “automatic action of the laws of trade ?”

Again, is the analysis complete which says that the unit of value is a creature of law, or that the measure of value, the monetary yard-stick, is purely conventional ?

Money is used to buy goods and to pay debts. The law prescribes what citizens *may* take in the first case, and what they *must* take in the second. For buying goods, now one commodity, now another, is *convenient*. A government may or may not supply as good money at any particular time as is offered by private enterprise and individual initiative. But, for paying debts, the government exercises its power to command. *Debtors must pay, creditors must receive legal tender*, though that be a depreciated promissory note. A question of justice is thus involved,—a question which completely baffles the scales of the blindfolded goddess. The members of a community measure the value of goods in a rough-and-ready way, in terms of the most common article—

sheep and cattle ; kauri shells ; metals, coined and uncoined. As commerce develops, the unit or standard becomes fixed, as does the unit of weight, or length, etc. The practical question for business men and for legislators alike, is : How can this measure be made unchangeable ?

This raises a third point of dispute. It relates to the cost of production of the precious metals, they having come to be used as the money of the civilized world. Is the value determined by the cost of production, or is the cost of production and the margin of cultivation determined by the value, or are each determined by unconnected causes ? Monometalists, whether silver or gold monometalists, have regarded bimetalism as unscientific, absurd, impossible. Economists have held that the price of the precious metals was determined by the cost of mining that portion of the supply produced at the greatest disadvantage. That, as a consequence, whichever of two metals was undervalued in the coinage laws of any country would not be produced there for minting purposes. With changes in the cost of production of the two metals would come changes in the currency of the country and the world. But, say the bimetalists, if the mints of the world are all open to the free coinage of both metals at a given ratio, the currency of the world will at once absorb any surplus of either metal and maintain a fixed ratio by determining in part the margin of cultivation or the kind of mine which shall be worked. Moreton Frewen, in his articles written for the (India) *Pioneer* goes further, and maintains that the world's outlay in producing gold and silver is greater than the money value of the two metals produced. "It may seem at first sight incredible that humanity should in these philosophic days continue to produce gold and silver at a loss ; but the life of the gold-seeker is a life often of intense excitement ; the attraction is that of the gambling table intensified ; the blanks are indeed many, but the prizes though few are very valuable. The hundred lose all they possess, and perhaps an entire life's work, but the one becomes a millionaire." (p. 93.)

The problem is thus one for the psychologist, as well as the economist and geologist, to answer.

If it be true then that the surplus could be regularly and indefinitely absorbed, or that cost of production does not determine the value of gold and silver, a bimetallic agreement among the nations of the world to maintain a fixed ratio is perfectly practicable. The union is only a question of expediency and interest. Part of the world now use gold as the basis of currency, with some subsidiary silver; another part uses only silver as currency or a basis for currency. Is it expedient for all to agree to use either interchangeably at a fixed ratio? Will the fluctuations of the monetary unit in gold using and silver using countries alike be less frequent? If more frequent will they be less extreme and more gradual, or less so? Which kind of variation is least pernicious to industry? Is it alike for the interest of the highly developed and of the industrially backward country to have an invariable par of exchange? Are the interests of debtors and creditors at variance in this instance?

These are the questions to which Mr. Boissevain attempts to give an answer, but with only very limited success. His treatment of the subject is neither systematic nor exhaustive. It is not conclusive at any point. The author believes that the bimetallic system really rests on a scientific basis; but a chapter of twenty pages fails to reveal that basis. He thinks this bimetallic scheme "the only system by which it is possible to obtain monetary unity in the commercial world," and that "monetary unity is a condition of economic progress and development;" but he is very despondent as to the possibility of securing international agreement, though he nowhere states the hindrances to be overcome. He is convinced that this monetary system including (1) Free and gratuitous coinage and (2) A bimetallic monetary unit will ensure "the stability of the value of money so far as that can be attained;" but does not explain why and how it will do this "in the best and most certain manner." He

is fully convinced that an international agreement can only exist on the footing of the ratio of 1 to  $15\frac{1}{2}$ , the old legal ratio of France and of the Latin Union, or else 1 to 16, the legal ratio of America. But if 1 to  $15\frac{1}{2}$  or 1 to 16, why not 1 to 15 or 1 to  $16\frac{1}{2}$ ? This and other equally important problems in the situation are left unsolved. Mr. Boissevain may write with the conviction of an ardent bi-metalist, but it can hardly be said that he writes with judgment.

The reverse is true, as was to have been expected, of Mr. S. Dana Horton's latest contribution to the literature of bi-metalism. Scholarly in style, it is both systematic and exhaustive in the treatment of the problem. It is prepared with greatest care and displays the wise judgment of the author. His theme is the movement for the general restoration of silver to a legal equality with gold, and he presents exactly those facts and phases of the subject which the American reader most needs and is least likely to get in popular discussions of the silver question. The work is historical, and deals with the recent Paris Congress (1889) and the work of the Royal (English) Commission on Gold and Silver. It thus emphasizes the broad lines on which the solution of the monetary problem must rest.

Gold and silver are the world's money metals. If a single nation would use both it must do so subject to the conditions of the world's market. So soon as its mint ratio differs appreciably from the market rate of the two metals the undervalued metal only will be brought to the mint for coinage. The result is as inevitable as it is that water will run down hill. And it would appear that the United States has not only made a very poor investment under the law of 1890, but that it is growing increasingly worse as time goes on—that we are reaping the disadvantages without any of the advantages of free coinage of silver. Such a lucid statement of the laws of trade, the condition of foreign exchange, and the principles of business as is made by Mr. Cowperthwait in the book in question would seem to warrant

his conclusion that we should "reverse the silver policy; stop buying and commence selling."

It is said by the advocates of free silver that we have not money enough, and the argument always appeals to the individual. Who ever had money enough? A few more dollars for the same expenditure of time and energy, or as a gift, are always acceptable. But no one expects to give away silver to be coined, nor is it clear that dollars would be cheaper to those who earn their bread by the sweat of their brow. "The greatest creditor class and the one which will suffer most from free and unlimited silver coinage is the labor class—the miner, the servant, the mechanic. Every man who works for wages is a creditor in the evening, at the end of the week, or at the end of the month. He will be the last to discover how a depreciated dollar defrauds him, and that he is daily meeting a loss by its decreased purchasing power." (Ehrich p. 31.) Dollars would be cheaper under free coinage by the extent that the price of silver was less than \$1.29 per ounce, just as they would be if Congress passed an act making 20 grains of gold legal tender for one dollar, but everything else would be dearer. Prices would rise. This is decidedly in the interest of present debtors, railroad corporations included, but it is hardly in the permanent interest of debtors. "If you want to pay a debt with a liberal discount, and expect to die soon thereafter so as to escape the other disagreeable incidents of general business collapse, then you want free and unlimited silver coinage." (p. 108.)

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